

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Yates Township</b>	County <b>Lake</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>8/22/06</b>	Date Accountant Report Submitted to State: <b>8/25/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**Baird, Cotter and Bishop, P.C.**

Street Address

**134 W. Harris Street**

City

**Cadillac**

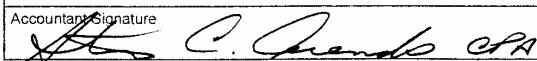
State

**MI**

ZIP

**49601**

Accountant Signature



Date

**8/24/06**

**YATES TOWNSHIP, LAKE COUNTY**

**IDLEWILD, MICHIGAN**

**MARCH 31, 2005**

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MARCH 31, 2005

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IDLEWILD, MICHIGAN

MARCH 31, 2005

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134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

August 22, 2006

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated August 22, 2006, on our consideration of Yates Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yates Township, Lake County, Idlewild Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Yates Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Yates Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

**Financial Highlights**

**Government-Wide**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,326,894. Of this amount, \$559,557 may be used to meet the township's ongoing obligations to citizens and creditors.

**Fund Level Financial Statements**

- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$554,121.

**Long-Term Debt**

- ◆ The Township's total debt decreased by \$40,885 during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Yates Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. Business-type activities of the Township include sewer utility services.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Yates Township's own programs.



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$2,326,894 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

**Yates Township**  
**Net Assets as of March 31, 2005**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current and Other Assets	\$ 596,885	\$ 32,911	\$ 629,796
Non Current Assets			
Capital Assets	315,740	2,207,172	2,522,912
Less: Accumulated Depreciation	(77,541)	(155,948)	(233,489)
Total Non Current Assets	238,199	2,051,224	2,289,423
Total Assets	\$ 835,084	\$ 2,084,135	\$ 2,919,219

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

	Governmental Activities	Business Type Activities	Total
<b>Liabilities</b>			
Current Liabilities	\$ 54,185	\$ 6,382	\$ 60,567
Long-Term Liabilities	157,758	374,000	531,758
Total Liabilities	211,943	380,382	592,325
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	79,771	1,672,224	1,751,995
Restricted	0	15,342	15,342
Unrestricted	543,370	16,187	559,557
Total Net Assets	623,141	1,703,753	2,326,894
<b>Total Liabilities and Net Assets</b>	<u>\$ 835,084</u>	<u>\$ 2,084,135</u>	<u>\$ 2,919,219</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others).

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

**Yates Township**  
**Change in Net Assets**  
**For the Fiscal Year Ended March 31, 2005**

	Governmental Activities	Business Type Activities	Total
<b><u>Revenues</u></b>			
<b>Program Revenues</b>			
Charges for Services	\$ 2,005	\$ 30,925	\$ 32,930
Operating Grants and Contributions	80,093	0	80,093
<b>General Revenues</b>			
Property Taxes	355,288	0	355,288
Licenses and Permits	2,803	0	2,803
State Grants	66,348	0	66,348
Contributions from Local Units	4,930	0	4,930
Investment Earnings	1,131	220	1,351
Other	22,697	0	22,697
<b>Total Revenues</b>	535,295	31,145	566,440
<b><u>Expenses</u></b>			
Legislative	23,494	0	23,494
General Government, Administrative	114,128	0	114,128
Public Safety	117,638	0	117,638
Public Works	97,433	76,805	174,238
Community and Economic Development	4,837	0	4,837
Recreational and Cultural	24,727	0	24,727
Public Transportation	9,038	0	9,038
Other Functions	74,561	0	74,561
<b>Total Expenses</b>	465,856	76,805	542,661
Changes in Net Assets	69,439	(45,660)	23,779
NET ASSETS - Beginning of Year	553,702	1,749,413	2,303,115
NET ASSETS - End of Year	\$ 623,141	\$ 1,703,753	\$ 2,326,894

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

**Governmental Activities**

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$23,779 in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Yates Township comes from property taxes and special assessments. The Township levied 7.1149 mills for operating purposes. In addition, the Township levied a per parcel special assessment to supplement general fund operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by Public Safety expenses that total 26% of total expenses. The Township spent \$117,638 in fiscal year 2005 on Public Safety expenses. General Government represented the next largest expense at \$114,128, or 26% of total expenses. Depreciation expense added another \$27,141.

**Business-Type Activities**

These activities accounted for a decrease of \$45,660 in the Township's Net Assets.

The Business-type activities of the Township include the Sewer Fund, which provides sewer utility services to Township residents as well as commercial customers.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Yates Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Yates Township's governmental funds reported combined ending fund balances of \$554,121.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

**General Fund** – The General Fund increased its fund balance by \$34,085 which brings the fund balance to \$536,310. The General Fund's fund balance is unreserved. Property taxes amounted to \$341,950. State shared revenues were collected in the amount of \$53,087.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of March 31, 2005 amounted to \$2,289,423 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Yates Township**  
**Capital Assets as of March 31, 2005**

	Governmental Activities	Business-Type Activities	Totals
System Infrastructure	\$ 0	\$ 2,182,172	\$ 2,182,172
Easements	0	5,000	5,000
Vehicles	232,500	0	232,500
Equipment	83,240	20,000	103,240
	315,740	2,207,172	2,522,912
Less Accumulated Depreciation	(77,541)	(155,948)	(233,489)
<b>Net Capital Assets</b>	<b>\$ 238,199</b>	<b>\$ 2,051,224</b>	<b>\$ 2,289,423</b>

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2005-06 fiscal year. The Township's millage rate will be reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Yates Township at P.O. Box 115, 413 E. Baldwin Rd, Idlewild, MI 49642.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2005

		GOVERNMENTAL	BUSINESS	
		ACTIVITIES	TYPE	TOTALS
	ASSETS		ACTIVITIES	
<u>CURRENT ASSETS</u>				
Cash		\$ 438,968	\$ 8,691	\$ 447,659
Accounts Receivable		0	8,878	8,878
Taxes Receivable		126,905	0	126,905
Due from External Parties (Fiduciary Fund)		21,677	0	21,677
Due from Other Governments		9,335	0	9,335
Total Current Assets		596,885	17,569	614,454
<u>RESTRICTED ASSETS</u>				
Cash				
Bond Reserve Account		0	15,234	15,234
Bond and Interest Redemption Fund		0	108	108
Total Restricted Assets		0	15,342	15,342
<u>CAPITAL ASSETS</u>				
System Infrastructure		0	2,182,172	2,182,172
Easements		0	5,000	5,000
Vehicles		232,500	0	232,500
Equipment		83,240	20,000	103,240
		315,740	2,207,172	2,522,912
Less Accumulated Depreciation		(77,541)	(155,948)	(233,489)
Net Capital Assets		238,199	2,051,224	2,289,423
TOTAL ASSETS		\$ 835,084	\$ 2,084,135	\$ 2,919,219
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable		\$ 17,852	\$ 0	\$ 17,852
Accrued Interest Payable		0	1,382	1,382
Due to Other Governments		24,912	0	24,912
Notes Payable - Current Portion		11,421	0	11,421
Revenue Bonds Payable - Current Portion		0	5,000	5,000
Total Current Liabilities		54,185	6,382	60,567

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2005

	GOVERNMENTAL	BUSINESS	
	ACTIVITIES	TYPE	TOTALS
		ACTIVITIES	
<hr/>			
<u>LONG-TERM LIABILITIES</u>			
Lake County Chargebacks	10,751	0	10,751
Fire Equipment Contract Payable	10,600	0	10,600
Fire Truck Contract Payable	136,407	0	136,407
Revenue Bonds Payable - Net of Current Portion	0	374,000	374,000
<hr/>			
Total Long-Term Liabilities	157,758	374,000	531,758
<hr/>			
Total Liabilities	211,943	380,382	592,325
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<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	79,771	1,672,224	1,751,995
Restricted for Debt Service	0	15,342	15,342
Unrestricted	543,370	16,187	559,557
<hr/>			
TOTAL NET ASSETS	623,141	1,703,753	2,326,894
<hr/>			
TOTAL LIABILITIES AND NET ASSETS	\$ 835,084	\$ 2,084,135	\$ 2,919,219
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The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 23,494	\$ 0	\$ 0	\$ 0	\$ (23,494)	\$ 0	\$ (23,494)
General Government	114,128	2,005	0	0	(112,123)	0	(112,123)
Public Safety	117,638	0	80,093	0	(37,545)	0	(37,545)
Public Works	97,433	0	0	0	(97,433)	0	(97,433)
Community and Economic Development	4,837	0	0	0	(4,837)	0	(4,837)
Recreation and Cultural	24,727	0	0	0	(24,727)	0	(24,727)
Public Transportation	9,038	0	0	0	(9,038)	0	(9,038)
Other Functions	74,561	0	0	0	(74,561)	0	(74,561)
Total Governmental Activities	465,856	2,005	80,093	0	(383,758)	0	(383,758)
<u>BUSINESS TYPE ACTIVITIES</u>							
Sewer System	76,805	30,925	0	0	0	(45,880)	(45,880)
TOTAL	\$ 542,661	\$ 32,930	\$ 80,093	\$ 0	(383,758)	(45,880)	(429,638)
<u>GENERAL REVENUES</u>							
Property Tax					355,288	0	355,288
Licenses and Permits					2,803	0	2,803
State Grants					66,348	0	66,348
Contributions from Local Units					4,930	0	4,930
Investment Earnings					1,131	220	1,351
Other					22,697	0	22,697
Total General Revenues					453,197	220	453,417
Change in Net Assets					69,439	(45,660)	23,779
<u>NET ASSETS</u> - Beginning of Year					553,702	1,749,413	2,303,115
<u>NET ASSETS</u> - End of Year					\$ 623,141	\$ 1,703,753	\$ 2,326,894

The accompanying notes are an integral part of the financial statements.



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2005

	GENERAL FUND	LAND TRUST FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 398,550	\$ 40,418	\$ 438,968
Taxes Receivable	126,905	0	126,905
Due from Other Governments	9,335	0	9,335
Due from Other Funds	21,677	2,305	23,982
Total Assets	<u>\$ 556,467</u>	<u>\$ 42,723</u>	<u>\$ 599,190</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 17,852	\$ 0	\$ 17,852
Due to Other Governments	0	24,912	24,912
Due to Other Funds	2,305	0	2,305
Total Liabilities	<u>20,157</u>	<u>24,912</u>	<u>45,069</u>
 <u>FUND BALANCE</u>			
Unreserved			
Undesignated	<u>536,310</u>	<u>17,811</u>	<u>554,121</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 556,467</u>	<u>\$ 42,723</u>	<u>\$ 599,190</u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	554,121
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Vehicles	\$	232,500	
Equipment		83,240	
Accumulated Depreciation		<u>(77,541)</u>	238,199

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds

Lake County Chargebacks		(10,751)	
Fire Equipment Contract Payable		(14,855)	
Fire Truck Contract Payable		<u>(143,573)</u>	(169,179)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>623,141</u></u>
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The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	LAND TRUST FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 355,288	\$ 0	\$ 355,288
Licenses and Permits	2,803	0	2,803
State Grants	137,056	0	137,056
Contributions from Local Units	14,315	0	14,315
Charges for Services	2,005	0	2,005
Interest and Rents	6,744	57	6,801
Other Revenues	8,952	8,075	17,027
Total Revenues	527,163	8,132	535,295
<u>EXPENDITURES</u>			
Legislative	23,494	0	23,494
General Government	114,128	0	114,128
Public Safety	166,622	0	166,622
Public Works	97,433	0	97,433
Community and Economic Development	4,837	0	4,837
Recreation and Cultural	24,727	0	24,727
Public Transportation	9,038	0	9,038
Other Functions	52,799	21,762	74,561
Total Expenditures	493,078	21,762	514,840
Net Change in Fund Balance	34,085	(13,630)	20,455
<u>FUND BALANCE</u> - Beginning of Year	502,225	31,441	533,666
<u>FUND BALANCE</u> - End of Year	\$ 536,310	\$ 17,811	\$ 554,121

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2005

Net Change in Fund Balance - Total Governmental Funds	\$ 20,455
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(27,141)
Capital Outlay	40,240
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	
Note Payable	<u>35,885</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 69,439</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

PROPRIETARY FUND  
STATEMENT OF NET ASSETS

MARCH 31, 2005

ASSETS

Current Assets

Cash	\$ 8,691
Accounts Receivable	8,878
Total Current Assets	<u>17,569</u>

Restricted Assets

Cash	
Bond Reserve Account	15,234
Bond and Interest Redemption Fund	<u>108</u>
Total Restricted Assets	<u>15,342</u>

Capital Assets

Machinery and Equipment	20,000
Easements	5,000
Sewer System	<u>2,182,172</u>
Total Capital Assets	<u>2,207,172</u>
Less Accumulated Depreciation	<u>(155,948)</u>
Net Capital Assets	<u>2,051,224</u>

TOTAL ASSETS	<u><u>\$ 2,084,135</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Interest Payable	\$ 1,382
Revenue Bonds Payable - Current Portion	<u>5,000</u>
Total Current Liabilities	6,382

LONG-TERM LIABILITIES

Revenue Bonds Payable - Net of Current Portion	<u>374,000</u>
Total Liabilities	<u>380,382</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,672,224
Restricted	15,342
Unrestricted	<u>16,187</u>
Total Net Assets	<u>1,703,753</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,084,135</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2005

OPERATING REVENUES

Charges for Services	\$ 30,925
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OPERATING EXPENSES

Other Services and Charges		
Printing and Publishing	\$ 611	
Professional Services	2,581	
Utilities	5,478	
Telephone	1,102	
Repairs	4,589	
Depreciation	<u>45,643</u>	<u>60,004</u>
Operating Income (Loss)		<u>(29,079)</u>

NONOPERATING REVENUES (EXPENSES)

Interest Income	220
Interest Expense	<u>(16,801)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(16,581)</u>
 Change in Net Assets	 <u>(45,660)</u>

<u>NET ASSETS</u> - Beginning of Year	<u>1,749,413</u>
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<u>NET ASSETS</u> - End of Year	<u><u>\$ 1,703,753</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

PROPRIETARY FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash Received from Customers and Other Revenues	\$ 27,251
Cash Payments to Suppliers for Goods and Services	<u>(14,361)</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ 12,890</u>
--	------------------

Cash Flows from Capital and Related Financing Activities

Principal Paid on Bonds	\$ (5,000)
Interest Paid	<u>(16,801)</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (21,801)</u>
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Cash Flows from Investing Activities

Interest Received	<u>\$ 220</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ (8,691)
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>32,724</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 24,033</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

PROPRIETARY FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (29,079)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 45,643
(Increase) Decrease in Current Assets	
Accounts Receivable	(3,675)
Increase (Decrease) in Current Liabilities	
Accrued Interest Payable	<u>1</u>
Total Adjustments	<u>\$ 41,969</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 12,890</u></u>



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2005

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 60,540
	<hr/>
<u>LIABILITIES</u>	
Due to General Fund	\$ 21,677
Due to Other Governments	38,863
	<hr/>
Total Liabilities	\$ 60,540
<u>NET ASSETS</u>	<hr/> 0
TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 60,540 <hr/>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Yates Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Yates Township reports the following major governmental funds:

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally Yates Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Equity**

##### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

The Investment Policy adopted by the Township allows the Treasurer to invest in certificates of deposit, savings deposit receipts and savings accounts.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Yates Township totaled \$22,713,180, on which ad valorem taxes levied consisted of 7.1149 mills for Yates Township operating purposes. The levy raised approximately \$161,602 for operating purposes.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	25
Equipment	10
System Infrastructure	50

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

adopted on March 20, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund	\$ 418,700	\$ 493,078

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Lake Osceola State Bank, Baldwin, Michigan. At year-end, the carrying amount of the Township's deposits was \$523,541 and the bank balance was \$523,581. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$423,581 was uninsured and uncollateralized.

The Township's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2005, of the government's bank balance of \$523,581, \$423,581 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual funds are as follows:

	General	Land Trust	Sewer	Total
Receivables				
Accounts	\$ 0	\$ 0	\$ 8,878	\$ 8,878
Taxes	126,905	0	0	126,905
Intergovernmental	9,335	0	0	9,335
Total	<u>\$ 136,240</u>	<u>\$ 0</u>	<u>\$ 8,878</u>	<u>\$ 145,118</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**B. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Vehicles	\$ 232,500	\$ 0	\$ 0	\$ 232,500
Equipment	43,000	40,240	0	83,240
Total capital assets, being depreciated	<u>\$ 275,500</u>	<u>\$ 40,240</u>	<u>\$ 0</u>	<u>\$ 315,740</u>
Less accumulated depreciation for:				
Vehicles	\$ 48,250	\$ 21,500	\$ 0	\$ 69,750
Equipment	2,150	5,641	0	7,791
Total accumulated depreciation	<u>\$ 50,400</u>	<u>\$ 27,141</u>	<u>\$ 0</u>	<u>\$ 77,541</u>
Total capital assets, being depreciated net	<u>\$ 225,100</u>	<u>\$ 13,099</u>	<u>\$ 0</u>	<u>\$ 238,199</u>
<u>Business-Type Activities</u>				
Capital assets, being depreciated				
Easements	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Equipment	20,000	0	0	20,000
System Infrastructure	2,182,172	0	0	2,182,172
Total capital assets, being depreciated	<u>\$ 2,207,172</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,207,172</u>
Less accumulated depreciation	<u>110,305</u>	<u>45,643</u>	<u>0</u>	<u>155,948</u>
Business-type activities capital assets, net	<u><u>\$ 2,096,867</u></u>	<u><u>\$ 45,643</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,051,224</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>27,141</u>
Business-Type Activities	
Sewer	\$ <u>45,643</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
General Fund		
Land Trust Fund	\$ 0	\$ 2,305
Current Tax	21,677	0
Land Trust Fund		
General Fund	2,305	0
Current Tax		
General Fund	0	21,677
Total	\$ 23,982	\$ 23,982

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**E. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2005:

	<u>BONDS</u>	<u>NOTES</u>	<u>TOTAL</u>
Long-Term Debt Payable at April 1, 2004	\$ 384,000	\$ 205,064	\$ 589,064
Long-Term Debt Incurred	0	0	0
Long-Term Debt Retired	(5,000)	(35,885)	(40,885)
LONG-TERM DEBT PAYABLE AT MARCH 31, 2005	\$ 379,000	\$ 169,179	\$ 548,179

Long-term debts at March 31, 2005 are comprised of the following individual amounts:

Bonds Payable

The long-term debt at March 31, 2005 consists of a bond payable for Yates Township Sanitary Sewage Disposal System Bonds - Series 1999 - due in annual installments of \$5,000 to \$21,000 through March 1, 2039, interest at 4.375%. \$ 379,000

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

Lake County Tax Chargeback Note

The long-term debt at March 31, 2005 consists of a note payable to the Lake County Treasurer for tax chargebacks from 1983-1995. The note is being repaid in annual installments of \$10,751 through the 2005-2006 fiscal year at no interest, principal only.

10,751

Fire Equipment Note

The long-term debt at March 31, 2005 consists of a note payable to Lake-Osceola State Bank for the purchase of fire protection equipment. The note is being repaid in annual installments of \$5,000 to \$6,852 through June 29, 2008 including interest at 3.75%

14,855

Fire Truck Note

The long-term debt at March 31, 2005, consists of a note payable to Lake Osceola State Bank for the purchase of a fire truck. The note is being repaid in annual Installments of \$14,808 through September 8, 2018 including interest at 5.25%

143,573

\$ 548,179

The annual requirements to amortize the long-term debt outstanding as of March 31, 2005, including interest payments of \$446,871 are as follows:

<u>YEAR ENDING MARCH 31,</u>	<u>BONDS PAYABLE</u>	<u>LAKE COUNTY TAX CHARGEBACK NOTE</u>	<u>FIRE TRUCK AND EQUIPMENT NOTE</u>	<u>TOTAL</u>
2006	\$ 21,582	\$ 10,751	\$ 19,808	\$ 52,141
2007	21,362	0	19,808	41,170
2008	21,144	0	19,808	40,952
2009	21,926	0	21,660	43,586
2010	21,662	0	14,808	36,470
2011-2015	108,114	0	74,040	182,154
2016-2020	108,016	0	59,232	167,248
2021-2025	107,958	0	0	107,958
2026-2030	108,576	0	0	108,576
2031-2035	109,041	0	0	109,041
2036-2039	105,754	0	0	105,754
	<u>\$ 755,135</u>	<u>\$ 10,751</u>	<u>\$ 229,164</u>	<u>\$ 995,050</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Property Taxes**

The Township levied 7.1149 mills in tax on state taxable value of \$22,713,180 on the 2004 tax roll. In addition the Township levies a per parcel special assessment to supplement general fund operations.

**C. Interest Income and Expense**

For the year ended March 31, 2005 interest income and expense was as follows:

	Interest	
	Income	Expense
General Fund	\$ 1,074	\$ 0
Land Trust Fund	57	0
Sewer Fund	220	16,801
 TOTAL	 \$ 1,351	 \$ 16,801

**D. Restatement**

The prior year total assets and total liabilities were both understated by the cost of a fire truck and equal amounts of financing for the truck purchase. This transaction had no effect on the beginning of year net assets of the Township.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUND

YEAR ENDED MARCH 31, 2005

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 0	\$ 0	\$ 355,288	\$ 355,288
Licenses and Permits	0	0	2,803	2,803
State Grants	0	0	137,056	137,056
Contributions from Local Units	0	0	14,315	14,315
Charges for Services	0	0	2,005	2,005
Interest and Rents	0	0	6,744	6,744
Other Revenues	0	0	8,952	8,952
Total Revenues	0	0	527,163	527,163
<u>EXPENDITURES</u>				
Legislative	60,786	60,786	23,494	37,292
General Government	102,798	102,798	114,128	(11,330)
Public Safety	104,736	104,736	166,622	(61,886)
Public Works	96,200	96,200	97,433	(1,233)
Community and Economic Development	4,910	4,910	4,837	73
Recreation and Cultural	8,170	8,170	24,727	(16,557)
Public Transportation	7,800	7,800	9,038	(1,238)
Other Functions	33,300	33,300	52,799	(19,499)
Total Expenditures	418,700	418,700	493,078	(74,378)
Net Change in Fund Balance	(418,700)	(418,700)	34,085	452,785
<u>FUND BALANCE</u> - Beginning of Year	0	0	502,225	502,225
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ (418,700)	\$ (418,700)	\$ 536,310	\$ 955,010

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
BALANCE SHEET

MARCH 31, 2005

ASSETS

Cash	\$ 398,550
Taxes Receivable	126,905
Due from Other Funds	21,677
Due from Other Governments	<u>9,335</u>
 TOTAL ASSETS	 <u><u>\$ 556,467</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 17,852
Due to Land Trust Fund	<u>2,305</u>
 Total Liabilities	 \$ 20,157

FUND BALANCE

Unreserved	<u>536,310</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 556,467</u></u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Taxes	\$ 355,288
Licenses and Permits	2,803
State Grants	137,056
Contribution from Local Units	14,315
Charges for Services	2,005
Interest and Rents	6,744
Other Revenues	<u>8,952</u>
 Total Revenues	 <u>\$ 527,163</u>

EXPENDITURES

Legislative	
Township Board	\$ 23,494
General Government	
Supervisor	11,736
Elections	2,289
Assessor	43,318
Clerk	10,791
Board of Review	365
Treasurer	14,435
Computer Administration	1,407
Building and Grounds	29,551
Cemetery	236
Public Safety	166,622
Public Works	97,433

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2006

Community and Economic Development	4,837
Recreation and Cultural	24,727
Public Transportation	9,038
Other Functions	<u>52,799</u>
 Total Expenditures	 <u>\$ 493,078</u>
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 34,085
 <u>FUND BALANCE</u> - Beginning of Year	 <u>502,225</u>
 <u>FUND BALANCE</u> - End of Year	 <u><u>\$ 536,310</u></u>



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF NET ASSETS

MARCH 31, 2005

ASSETS

Current Assets

Cash	\$ 8,691
Accounts Receivable	8,878
Total Current Assets	<u>17,569</u>

Restricted Assets

Cash	
Bond Reserve Account	15,234
Bond and Interest Redemption Fund	108
Total Restricted Assets	<u>15,342</u>

Capital Assets

Machinery and Equipment	20,000
Easements	5,000
Sewer System	2,182,172
Total Capital Assets	<u>2,207,172</u>
Less Accumulated Depreciation	(155,948)
Net Capital Assets	<u>2,051,224</u>

TOTAL ASSETS	<u><u>\$ 2,084,135</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Interest Payable	\$ 1,382
Revenue Bonds Payable - Current Portion	5,000
Total Current Liabilities	<u>6,382</u>

LONG-TERM LIABILITIES

Revenue Bonds Payable - Net of Current Portion	374,000
Total Liabilities	<u>380,382</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,672,224
Restricted	15,342
Unrestricted	16,187
Total Net Assets	<u>1,703,753</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,084,135</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2005

OPERATING REVENUES

Charges for Services	\$	30,925
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OPERATING EXPENSES

Other Services and Charges		
Printing and Publishing	\$	611
Professional Services		2,581
Utilities		5,478
Telephone		1,102
Repairs		4,589
Depreciation		45,643
		<u>60,004</u>

Operating Income (Loss)		<u>(29,079)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest Income		220
Interest Expense		<u>(16,801)</u>

Total Nonoperating Revenues (Expenses)		<u>(16,581)</u>
--	--	-----------------

Change in Net Assets		(45,660)
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<u>NET ASSETS</u> - Beginning of Year		<u>1,749,413</u>
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<u>NET ASSETS</u> - End of Year		<u><u>\$ 1,703,753</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash Received from Customers and Other Revenues	\$ 27,251
Cash Payments to Suppliers for Goods and Services	<u>(14,361)</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ 12,890</u>
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Cash Flows from Capital and Related Financing Activities

Principal Paid on Bonds	\$ (5,000)
Interest Paid	<u>(16,801)</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (21,801)
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Cash Flows from Investing Activities

Interest Received	<u>\$ 220</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ (8,691)
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>32,724</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 24,033</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (29,079)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 45,643
(Increase) Decrease in Current Assets	
Accounts Receivable	(3,675)
Increase (Decrease) in Current Liabilities	
Accrued Interest Payable	<u>1</u>
Total Adjustments	<u>\$ 41,969</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 12,890</u></u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

LAND TRUST FUND  
BALANCE SHEET

MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 40,418
Due from Other Funds	
General Fund	<u>2,305</u>
 TOTAL ASSETS	 <u><u>\$ 42,723</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	\$ 24,912
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FUND BALANCE

Balance	
Unreserved	<u>17,811</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 42,723</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

LAND TRUST FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Land Sales	\$ 8,075
Interest Earnings	<u>57</u>
Total Revenues	8,132

EXPENDITURES

Transfers to Other Governments	<u>21,762</u>
Excess of Revenues Over (Under) Expenditures	(13,630)

<u>FUND BALANCE</u> - April 1, 2004	<u>31,441</u>
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<u>FUND BALANCE</u> - March 31, 2005	<u><u>\$ 17,811</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

MARCH 31, 2005

	BALANCE			BALANCE		
	4/1/2004	ADDITIONS	REDUCTIONS	3/31/2005		
<u>ASSETS</u>						
Cash						
Commercial Account	\$ 11,712	\$ 799,974	\$ 751,146	\$ 60,540		
<u>LIABILITIES</u>						
Due to Other Organizations and Individuals	\$ 0	\$ 8	\$ 8	\$ 0		
Due to Other Governments	1,430	568,439	531,006	38,863		
Due to Other Funds	10,282	231,527	220,132	21,677		
	\$ 11,712	\$ 799,974	\$ 751,146	\$ 60,540		

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF 2004 TAX ROLL  
MARCH 31, 2005

TAXES ASSESSED

County	\$	261,094	
County - State Education Tax		137,982	
County - Renaissance Zone		298	
Township			
Operating		161,602	
Special Assessment		172,496	
Lake Assessment		7,851	
School			
Baldwin Community Schools		362,016	
Intermediate Schools			
Mason/Lake Intermediate		<u>82,156</u>	\$ 1,185,495

TAXES COLLECTED

County	\$	175,352	
County - State Education Tax		102,651	
County - Renaissance Zone		262	
Township			
Operating		108,532	
Special Assessment		98,581	
Lake Assessment		6,128	
School			
Baldwin Community Schools		238,161	
Intermediate School			
Mason/Lake Intermediate		<u>55,176</u>	<u>784,843</u>

TAXES RETURNED DELINQUENT

County	\$	85,742	
County - State Education Tax		35,331	
County - Renaissance Zone		35	
Township			
Operating		53,070	
Special Assessment		73,916	
Lake Assessment		1,723	
School			
Baldwin Community Schools		123,855	
Intermediate School			
Mason/Lake Intermediate		<u>26,980</u>	<u>\$ 400,652</u>



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2005

TITLE OF ISSUE

United States of America, State of Michigan, County of Lake, Township of Yates, Sanitary Sewage Disposal System Revenue Bonds - Series 1999

PURPOSE

The proceeds of the series 1999 bonds were used in whole to accompany federal and local grant proceeds to finance the construction of a sanitary sewage disposal system in the Township of Yates.

DATE OF ISSUE

December 22, 1999

INTEREST RATE

4.375%

AMOUNT OF ISSUE

\$ 396,000

AMOUNT REDEEMED

Prior to Current Year	\$ 12,000	
During Current Year	5,000	17,000

BALANCE OUTSTANDING - March 31, 2005

\$ 379,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2005	4.375%		\$ 8,291	\$ 8,291
March 1, 2006	4.375%	\$ 5,000	8,291	13,291
September 1, 2006	4.375%		8,181	8,181
March 1, 2007	4.375%	5,000	8,181	13,181
September 1, 2007	4.375%		8,072	8,072
March 1, 2008	4.375%	5,000	8,072	13,072
September 1, 2008	4.375%		7,963	7,963

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2005

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2009	4.375%	6,000	7,963	13,963
September 1, 2009	4.375%		7,831	7,831
March 1, 2010	4.375%	6,000	7,831	13,831
September 1, 2010	4.375%		7,700	7,700
March 1, 2011	4.375%	6,000	7,700	13,700
September 1, 2011	4.375%		7,569	7,569
March 1, 2012	4.375%	7,000	7,569	14,569
September 1, 2012	4.375%		7,416	7,416
March 1, 2013	4.375%	7,000	7,416	14,416
September 1, 2013	4.375%		7,263	7,263
March 1, 2014	4.375%	7,000	7,263	14,263
September 1, 2014	4.375%		7,109	7,109
March 1, 2015	4.375%	7,000	7,109	14,109
September 1, 2015	4.375%		6,956	6,956
March 1, 2016	4.375%	8,000	6,956	14,956
September 1, 2016	4.375%		6,781	6,781
March 1, 2017	4.375%	8,000	6,781	14,781
September 1, 2017	4.375%		6,606	6,606
March 1, 2018	4.375%	8,000	6,606	14,606
September 1, 2018	4.375%		6,431	6,431
March 1, 2019	4.375%	9,000	6,431	15,431
September 1, 2019	4.375%		6,234	6,234
March 1, 2020	4.375%	9,000	6,234	15,234
September 1, 2020	4.375%		6,038	6,038
March 1, 2021	4.375%	10,000	6,038	16,038
September 1, 2021	4.375%		5,819	5,819
March 1, 2022	4.375%	10,000	5,819	15,819
September 1, 2022	4.375%		5,600	5,600
March 1, 2023	4.375%	10,000	5,600	15,600
September 1, 2023	4.375%		5,381	5,381
March 1, 2024	4.375%	11,000	5,381	16,381
September 1, 2024	4.375%		5,141	5,141

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2005

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2025	4.375%	11,000	5,141	16,141
September 1, 2025	4.375%		4,900	4,900
March 1, 2026	4.375%	12,000	4,900	16,900
September 1, 2026	4.375%		4,638	4,638
March 1, 2027	4.375%	12,000	4,638	16,638
September 1, 2027	4.375%		4,375	4,375
March 1, 2028	4.375%	13,000	4,375	17,375
September 1, 2028	4.375%		4,091	4,091
March 1, 2029	4.375%	14,000	4,091	18,091
September 1, 2029	4.375%		3,784	3,784
March 1, 2030	4.375%	14,000	3,784	17,784
September 1, 2030	4.375%		3,475	3,475
March 1, 2031	4.375%	15,000	3,478	18,478
September 1, 2031	4.375%		3,150	3,150
March 1, 2032	4.375%	15,000	3,150	18,150
September 1, 2032	4.375%		2,822	2,822
March 1, 2033	4.375%	16,000	2,822	18,822
September 1, 2033	4.375%		2,472	2,472
March 1, 2034	4.375%	17,000	2,472	19,472
September 1, 2034	4.375%		2,100	2,100
March 1, 2035	4.375%	18,000	2,100	20,100
September 1, 2035	4.375%		1,707	1,707
March 1, 2036	4.375%	18,000	1,707	19,707
September 1, 2036	4.375%		1,313	1,313
March 1, 2037	4.375%	19,000	1,313	20,313
September 1, 2037	4.375%		897	897
March 1, 2038	4.375%	20,000	897	20,897
September 1, 2038	4.375%		460	460
March 1, 2039	4.375%	21,000	460	21,460
		<u>\$ 379,000</u>	<u>\$ 357,135</u>	<u>\$ 736,135</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2005

REDEMPTION PRIOR TO MATURITY

The bonds shall be subject to prepayment prior to maturity at the option of the Township, in any order, in whole or in part, in integral multiples of \$1,000, on any date, at par plus accrued interest to the date of such prepayment.

Notice of the redemption for any principal installment of this Bond for repayment at the option of the Township shall be given by first class mail, not less than 30 days prior to the date fixed for prepayment, to the registered owner of this Bond at the address shown on the bond register kept by the Registrar; provided, however, that failure to give such notice by mailing or any defect therein shall not effect the validity of any proceedings for the redemption of Bonds.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

August 22, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Yates Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Yates Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Yates Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in the accompanying Letter of Reportable Conditions is a material weakness.

We also noted certain matters that we reported to the management of Yates Township in a separate letter dated August 22, 2006.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

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CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

August 22, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

During the course of our audit of the basic financial statements of Yates Township for the year ended March 31, 2005, we noted the following:

Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Yates Township for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past.

Some of the more significant changes required by GASB 34 are as follows:

1. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
2. Several new types of financial statements are now included that reports financial information on a Township-wide basis and incorporates capital assets, a provision for depreciation on those assets as well as long-term liabilities of the Township.

We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

### Bank Reconciliations

At year end we had to reconcile the book balances to the bank for all accounts. This procedure should be completed by the Township on a monthly basis with copies of the reconciliations maintained with the bank statements.

### Accounting Records

The trust and agency transactions for special assessments were not posted to the Townships computerized general ledger. As a result we had to make adjustments to include these transactions in the General Fund. In the future all special assessment transactions should be recorded in the computerized general ledger.

### Sewer Fund – Restricted Assets

Restricted funds are required to be set aside to meet Sewer Fund bond ordinance requirements. At March 31, 2005, the Sewer Fund Bond Reserve and Bond and Interest Redemption Accounts did not meet the ordinance requirements. The Township should transfer excess funds from the Sewer Receiving Fund to meet the requirements of the bond ordinance. In addition, the Sewer Construction Fund can be closed out.

### Budgeting

PA 621 requires that the Township officially adopt an annual budget before the beginning of the fiscal year. This should be done in March each year. The budget document should include all items required by PA 621, including estimated beginning and ending fund balances for each fund. The budget should be amended during the year before incurring disbursements in excess of appropriations. All amendments to the budget should be clearly recorded in the official township minutes.

### Property Tax Administration Fee

The Township has determined that authorized costs of collecting taxes will be repeatedly in excess of revenue generated by the administration fee, but has not formally taken action to write off this loss. We recommend that the Township maintain subsidiary records which reflect property tax administration fee collections and costs, and that the board pass a motion each year to write off the loss.

### Balance in the Tax Collection Fund

The Township had a substantial amount of tax collection in the tax collection fund that were not distributed by year end. In the future these disbursements should be done in accordance with Department of Treasury regulations.

### Other Information

As of the date of this report there is an ongoing investigation relative to some allegations made by township residents. This report does not reflect any potential financial impact of the investigation.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.



If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990

JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
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**CERTIFIED PUBLIC ACCOUNTANTS**

August 22, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

In planning and performing our audit of the financial statements of Yates Township, Lake County, Idlewild, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*